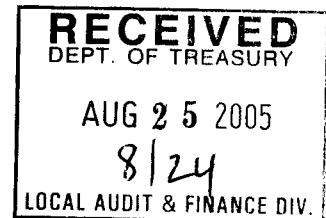


EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

|  |                                      |  |                       |
|--|--------------------------------------|--|-----------------------|
| <b>Local Government Type</b><br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                                      | <b>Local Government Name</b><br>Edwardsburg Joint Fire Board         | <b>County</b><br>Cass |
| <b>Audit Date</b><br>March 31, 2005  | <b>Opinion Date</b><br>June 22, 2005 | <b>Date Accountant Report Submitted to State:</b><br>August 10, 2005 |                       |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |
|---|
| <b>RECEIVED</b><br>DEPT. OF TREASURY<br><br>AUG 25 2005<br><br>LOCAL AUDIT & FINANCE DIV. |
|---|
- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
  - ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
  - ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
  - ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
  - ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
  - ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
  - ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
  - ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
  - ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|  |                         |                    |                     |
|--|-------------------------|--------------------|---------------------|
| <b>Certified Public Accountant (Firm Name)</b><br>Campbell, Kusterer & Co., P.C. |                         |                    |                     |
| <b>Street Address</b><br>512 N. Lincoln, Suite 100, P.O. Box 686                 | <b>City</b><br>Bay City | <b>State</b><br>MI | <b>Zip</b><br>48707 |
| <b>Accountant Signature</b><br>Campbell, Kusterer & Co., P.C.                    |                         |                    |                     |

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
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## INDEPENDENT AUDITOR'S REPORT

June 22, 2005

To the Fire Board  
Edwardsburg Joint Fire Board  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Edwardsburg Joint Fire Board, Cass County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Edwardsburg Joint Fire Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Edwardsburg Joint Fire Board, Cass County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Edwardsburg Joint Fire Board covers the Fire Board's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$596,185.96 for governmental activities. Overall total capital assets remained approximately the same.

Overall total revenues were \$231,669.56 from governmental activities. Governmental activities had a \$52,380.92 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Board and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Fire Board in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Fire Board as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Board's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Board are reported as governmental activities. This includes the General Fund.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Fire Board's funds, focusing on significant (major) funds not the Board as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The Fire Board has the following types of funds:

Governmental Funds: All of the Fire Board's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Fire Board's entity-wide statements and the fund financial statements are disclosed in the reconciling statements to explain the differences between them. The Fire Board's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE FIRE BOARD AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE FIRE BOARD'S FUNDS

The General Fund pays for all of the Fire Board's governmental services. The most significant was insurance which incurred expenses of \$25,064.20.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Board's governmental activities invested \$7,836.55 in capital assets.

The Fire Board's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We continue to grow at a 10% rate in taxable values.

CONTACTING THE FIRE BOARD'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have any questions concerning this report please contact the Fire Chief at 26771 U.S. 12, P.O. Box 181, Edwardsburg, Michigan 49112 or call 269-663-2160.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    | 209 961 46                         |
| Due from other units                            | <u>158 687 14</u>                  |
| Total Current Assets                            | <u>368 648 60</u>                  |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 917 018 48                         |
| Less: Accumulated Depreciation                  | <u>(689 481 12)</u>                |
| Total Non-current Assets                        | <u>227 537 36</u>                  |
| TOTAL ASSETS                                    | <u><u>596 185 96</u></u>           |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES                             | <u>-</u>                           |
| Total Current Liabilities                       | <u>-</u>                           |
| NON-CURRENT LIABILITIES                         | <u>-</u>                           |
| Total Non-current Liabilities                   | <u>-</u>                           |
| Total Liabilities                               | <u>-</u>                           |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 227 537 36                         |
| Unrestricted                                    | <u>368 648 60</u>                  |
| Total Net Assets                                | <u>596 185 96</u>                  |
| TOTAL LIABILITIES AND NET ASSETS                | <u><u>596 185 96</u></u>           |

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

|                               | <u>Expenses</u> | <u>Program<br/>Revenue</u> | <u>Governmental<br/>Activities<br/>Net (Expense)<br/>Revenue and<br/>Changes in Net<br/>Assets</u> |
|-------------------------------|-----------------|----------------------------|--|
| <b>FUNCTIONS/PROGRAMS</b>     |                 |                            |  |
| Governmental Activities:      |                 |                            |  |
| Public safety                 | 179 288 64      | 229 872 14                 | 50 583 50  |
| Total Governmental Activities | 179 288 64      | 229 872 14                 | 50 583 50  |
| General Revenues:             |                 |                            |  |
| Interest                      |                 |                            | 1 179 77   |
| Miscellaneous                 |                 |                            | 617 65   |
| Total General Revenues        |                 |                            | 1 797 42   |
| Change in net assets          |                 |                            | 52 380 92  |
| Net assets, beginning of year |                 |                            | 543 805 04   |
| Net Assets, End of Year       |                 |                            | 596 185 96   |

The accompanying notes are an integral part of these financial statements.



EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

BALANCE SHEET - GOVERNMENTAL FUND  
March 31, 2005

|                                    | <u>Total<br/>(General)</u> |
|------------------------------------|----------------------------|
| <u>Assets</u>                      |                            |
| Cash in bank                       | 209 961 46                 |
| Due from other units               | <u>158 687 14</u>          |
| Total Assets                       | <u>368 648 60</u>          |
| <u>Liabilities and Fund Equity</u> |                            |
| Liabilities                        | -                          |
| Total liabilities                  | <u>-</u>                   |
| Fund equity:                       |                            |
| Fund balance:                      |                            |
| Unreserved:                        |                            |
| Undesignated                       | <u>368 648 60</u>          |
| Total fund equity                  | <u>368 648 60</u>          |
| Total Liabilities and Fund Equity  | <u>368 648 60</u>          |

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCE – GOVERNMENTAL FUND 368 648 60

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

|                          |                     |
|--------------------------|---------------------|
| Capital assets at cost   | 917 018 48          |
| Accumulated depreciation | <u>(689 481 12)</u> |

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 596 185 96

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
Year ended March 31, 2005

|                                      | <u>Total<br/>(General)</u> |
|--------------------------------------|----------------------------|
| Revenues:                            |                            |
| Township of Ontwa                    | 158 687 14                 |
| Township of Jefferson                | 42 026 00                  |
| Township of Milton                   | 29 159 00                  |
| Interest                             | 1 179 77                   |
| Miscellaneous                        | <u>617 65</u>              |
| Total revenues                       | <u>231 669 56</u>          |
| Expenditures:                        |                            |
| Public safety:                       |                            |
| Fire protection:                     |                            |
| Wages                                | 16 500 00                  |
| Contracted services                  | 12 400 00                  |
| Payroll taxes                        | 1 250 40                   |
| Professional services                | 2 100 00                   |
| Training                             | 1 222 26                   |
| Utilities                            | 3 013 28                   |
| Telephone                            | 1 221 48                   |
| Vehicle gas and oil                  | 1 262 65                   |
| Supplies                             | 18 538 35                  |
| Repairs and maintenance              | 4 706 52                   |
| Insurance                            | 25 064 20                  |
| Miscellaneous                        | 166 00                     |
| Capital outlay                       | <u>7 836 55</u>            |
| Total expenditures                   | <u>95 281 69</u>           |
| Excess of revenues over expenditures | 136 387 87                 |
| Fund balance, April 1                | <u>232 260 73</u>          |
| Fund Balance, March 31               | <u><u>368 648 60</u></u>   |

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2005

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 136 387 87

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |                 |
|----------------------|-----------------|
| Depreciation Expense | (91 843 50)     |
| Capital Outlay       | <u>7 836 55</u> |

|   |                         |
|---|-------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>52 380 92</u></u> |
|---|-------------------------|

The accompanying notes are an integral part of these financial statements.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Edwardsburg Joint Fire Board, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Edwardsburg Joint Fire Board is comprised of the Townships of Jefferson, Milton, and Ontwa and the Village of Edwardsburg. The Board was created to provide fire protection primarily to these governmental units. The Board, which consists of members appointed by their respective local units, operates independently from its supporting units, and maintains control of all amounts collected, as well as all other acquired assets.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Board's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire Board reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Board which pertain to maintaining and operating the Fire Board. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Board. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Fire Board does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Board as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 10-31.5 years |
| Equipment and vehicles     | 5-7 years     |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Board provides no post-employment benefits to past employees.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Fire Board implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Fire Board's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Fire Board's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Fire Board's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$227,537.36.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated one bank for the deposit of Fire Board funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Board's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|   | <u>Carrying<br/>Amounts</u> |
|---|-----------------------------|
| Total Deposits  | <u>209 961 46</u>           |
| Amounts in the bank balances are without considering deposits in transit or uncleared checks. |                             |
|   | <u>Bank<br/>Balances</u>    |
| Insured (FDIC)  | 100 000 00                  |
| Uninsured and Uncollateralized  | <u>115 317 07</u>           |
| Total Deposits  | <u>215 317 07</u>           |

The Fire Board did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Fire Board's Governmental activities for the current year was as follows:

|                                 | <u>Balance<br/>4/1/04</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance<br/>3/31/05</u> |
|---------------------------------|---------------------------|--------------------|------------------|----------------------------|
| <u>Governmental Activities:</u> |                           |                    |                  |                            |
| Land                            | 7 500 00                  | -                  | -                | 7 500 00                   |
| Building and improvements       | 32 360 23                 | -                  | -                | 32 360 23                  |
| Equipment                       | 40 461 70                 | 7 836 55           | -                | 48 298 25                  |
| Vehicles                        | <u>828 860 00</u>         | <u>-</u>           | <u>-</u>         | <u>828 860 00</u>          |
| Total                           | 909 181 93                | 7 836 55           | -                | 917 018 48                 |
| Accumulated Depreciation        | <u>(597 637 62)</u>       | <u>(91 843 50)</u> | <u>-</u>         | <u>(689 481 12)</u>        |
| Net Capital Assets              | <u>311 544 31</u>         | <u>(84 006 95)</u> | <u>-</u>         | <u>227 537 36</u>          |



EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 5 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 6 – Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Pension Plan

The Fire Board does not have a pension plan.

EDWARDSBURG JOINT FIRE BOARD  
Cass County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended March 31, 2005

|                                      | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--------------------------------------|----------------------------|-------------------------|-------------------|--|
| Revenues:                            |                            |                         |                   |  |
| Township of Ontwa                    | 142 108 30                 | 142 108 30              | 158 687 14        | 16 578 84  |
| Township of Jefferson                | 42 026 00                  | 42 026 00               | 42 026 00         | -  |
| Township of Milton                   | 29 159 00                  | 29 159 00               | 29 159 00         | -  |
| Interest                             | -                          | -                       | 1 179 77          | 1 179 77   |
| Miscellaneous                        | -                          | -                       | 617 65            | 617 65   |
| Total revenues                       | <u>213 293 30</u>          | <u>213 293 30</u>       | <u>231 669 56</u> | <u>18 376 26</u>   |
| Expenditures:                        |                            |                         |                   |  |
| Public safety:                       |                            |                         |                   |  |
| Fire protection:                     |                            |                         |                   |  |
| Wages                                | 18 000 00                  | 18 000 00               | 16 500 00         | (1 500 00)   |
| Contracted services                  | 12 000 00                  | 12 906 15               | 12 400 00         | (506 15)   |
| Payroll taxes                        | -                          | 1 300 00                | 1 250 40          | (49 60)  |
| Professional services                | 6 500 00                   | 5 644 25                | 2 100 00          | (3 544 25)   |
| Training                             | 4 000 00                   | 4 000 00                | 1 222 26          | (2 777 74)   |
| Utilities                            | 3 500 00                   | 3 500 00                | 3 013 28          | (486 72)   |
| Telephone                            | 1 500 00                   | 1 500 00                | 1 221 48          | (278 52)   |
| Vehicle gas and oil                  | 2 000 00                   | 2 000 00                | 1 262 65          | (737 35)   |
| Supplies                             | 18 000 00                  | 19 555 94               | 18 538 35         | (1 017 59)   |
| Repairs and maintenance              | 10 000 00                  | 10 000 00               | 4 706 52          | (5 293 48)   |
| Insurance                            | 22 000 00                  | 22 064 20               | 25 064 20         | 3 000 00   |
| Miscellaneous                        | -                          | -                       | 166 00            | 166 00   |
| Contingency                          | 1 608 91                   | 1 608 91                | -                 | (1 608 91)   |
| Capital outlay                       | <u>31 000 00</u>           | <u>28 029 46</u>        | <u>7 836 55</u>   | <u>(20 192 91)</u>   |
| Total expenditures                   | <u>130 108 91</u>          | <u>130 108 91</u>       | <u>95 281 69</u>  | <u>(34 827 22)</u>   |
| Excess of revenues over expenditures | 83 184 39                  | 83 184 39               | 136 387 87        | 53 203 48  |
| Fund balance, April 1                | -                          | -                       | <u>232 260 73</u> | <u>232 260 73</u>  |
| Fund Balance, March 31               | <u>83 184 39</u>           | <u>83 184 39</u>        | <u>368 648 60</u> | <u>285 464 21</u>  |

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

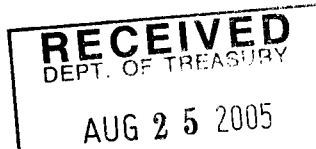
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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 22, 2005

To the Fire Board  
Edwardsburg Joint Fire Board  
Cass County, Michigan



We have audited the financial statements of the Edwardsburg Joint Fire Board the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Edwardsburg Joint Fire Board in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board  
Edwardsburg Joint Fire Board  
Cass County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Edwardsburg Joint Fire Board began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Fire Board is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements, dated March 31, 2005.

To the Fire Board  
Edwardsburg Joint Fire Board  
Cass County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants